

AMENDED IN ASSEMBLY APRIL 10, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 1012

Introduced by Assembly Member Charles Calderon

February 22, 2007

~~An act to add Section 3434 to the Public Resources Code, relating to oil and gas conservation. An act to add and repeal Section 726 of the Revenue and Taxation Code, relating to taxation.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 1012, as amended, Charles Calderon. Oil and gas deposits: *property tax assessments.*

The California Constitution provides that all real property is taxable unless exempted pursuant to the California Constitution or federal law. Existing state property tax regulations specify that the right to remove petroleum and natural gas from the earth is a taxable real property interest. Existing law imposes an annual charge on a person operating an oil or gas well, or owning royalty or other interests in the well, based on the production of the well during the preceding year. The moneys collected from these charges are used to supervise and protect deposits of oil and gas in the state, and are available upon appropriation by the Legislature.

This bill would require the Division of Oil, Gas, and Geothermal Resources in the Department of Conservation and the State Board of Equalization to jointly conduct ~~an~~ 2 specified annual oil and gas price study studies that may be used by counties when determining the assessment on value of oil and gas properties for property taxation purposes. ~~The~~ This bill would require the board to be the lead agency on the studies, but would require the board to consult with the division

regarding the studies. This bill would also require that specified portions of the studies be published for the general public on or before each March 1. This bill would specify that the cost of the ~~study~~ studies would be funded from the proceeds of the annual charges on oil and gas producers. These provisions would be repealed January 1, 2010, unless later legislation extends that repeal date.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 726 is added to the Revenue and Taxation
2 Code, to read:
3 726. (a) (1) On or before March 1, 2008, and on or before
4 March 1, 2009, the board and the division shall jointly conduct
5 each of the following two studies, which may be used by counties
6 in the annual fair market appraisals of petroleum property for
7 property taxation purposes:
8 (A) The first study shall be an annual oil and natural gas market
9 price lien date forecast. The forecast shall include the lien date
10 price of crude oil and natural gas, the regional posting price
11 differentials for each field, and the projected market crude oil and
12 natural gas prices for the next 20 years.
13 (B) The second study shall be an annual discount rate study
14 used to implement subdivision (g) of Section 8 of Title 16 of the
15 California Code of Regulations and Section 468 of Title 16 of the
16 California Code of Regulations.
17 (2) On or before March 1, 2008, and on or before March 1,
18 2009, the board shall publish, for the general public, a summary
19 of the results of the annual studies that includes the conclusions
20 of the studies, the assumptions supporting those conclusions, and
21 a glossary of the definitions and terms used in the studies.
22 (b) The board shall be the lead agency conducting the studies,
23 but shall consult with the division regarding the studies.
24 (c) The board may hire a third-party consultant or have a
25 qualified board employee perform the studies.
26 (d) The studies shall be funded from proceeds of the charge
27 imposed on oil and gas production pursuant to Sections 3402 and
28 3403 of the Public Resources Code. Only expenses directly related
29 to the studies may be reimbursed to the board or the division, in

1 addition to a maximum 14 percent administrative charge by each
2 agency.

3 (e) For purposes of this section, "division" means the Division
4 of Oil, Gas, and Geothermal Resources in the Department of
5 Conservation.

6 (f) This section shall remain in effect only until January 1, 2010,
7 and as of that date is repealed, unless a later enacted statute, that
8 is enacted before January 1, 2010, deletes or extends that date.

9 ~~SECTION 1. Section 3434 is added to the Public Resources~~
10 ~~Code, to read:~~

11 ~~3434. (a) The State Board of Equalization and the division~~
12 ~~shall jointly conduct an annual oil and gas price study that may be~~
13 ~~used by counties when determining the assessment on oil and gas~~
14 ~~properties.~~

15 ~~(b) The board will be the lead agency conducting the study, but~~
16 ~~shall consult with the division.~~

17 ~~(c) The board may hire a third-party consultant or have a~~
18 ~~qualified board employee perform the study.~~

19 ~~(d) The study shall be funded from proceeds of the charge~~
20 ~~imposed on oil and gas production pursuant to Sections 3402 and~~
21 ~~3403. Only expenses directly related to the study may be~~
22 ~~reimbursed to the board or the division, in addition to a maximum~~
23 ~~14 percent administrative charge by each agency.~~

24 ~~(e) This section shall remain in effect only until January 1, 2010,~~
25 ~~and as of that date is repealed, unless a later enacted statute, that~~
26 ~~is enacted before January 1, 2010, deletes or extends that date.~~